

COMMERCIAL REAL ESTATE

U.S. MARKET | Office



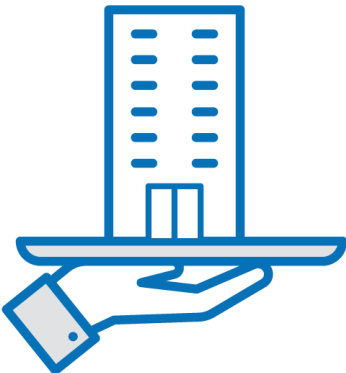
THE VIEW FROM HERE



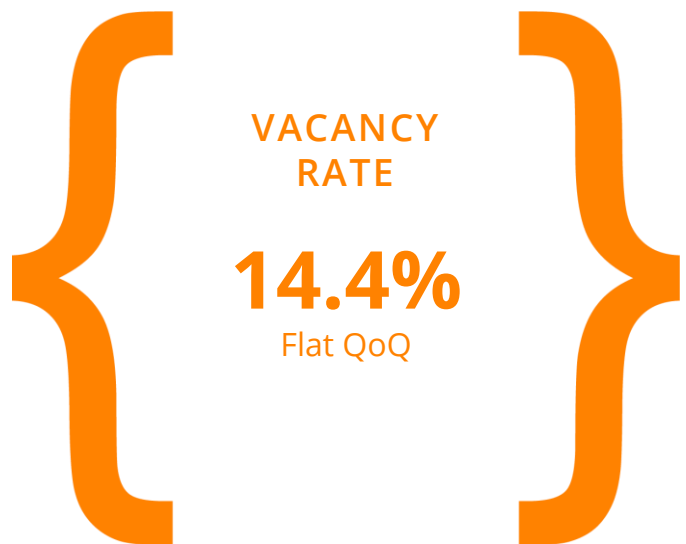

For the first time since 2019, rents and occupancies increased in the same quarter.



California Dreamin': tech market recovery among the biggest vacancy declines.



Office investor appetite grew in 2025, with hope for 2026.

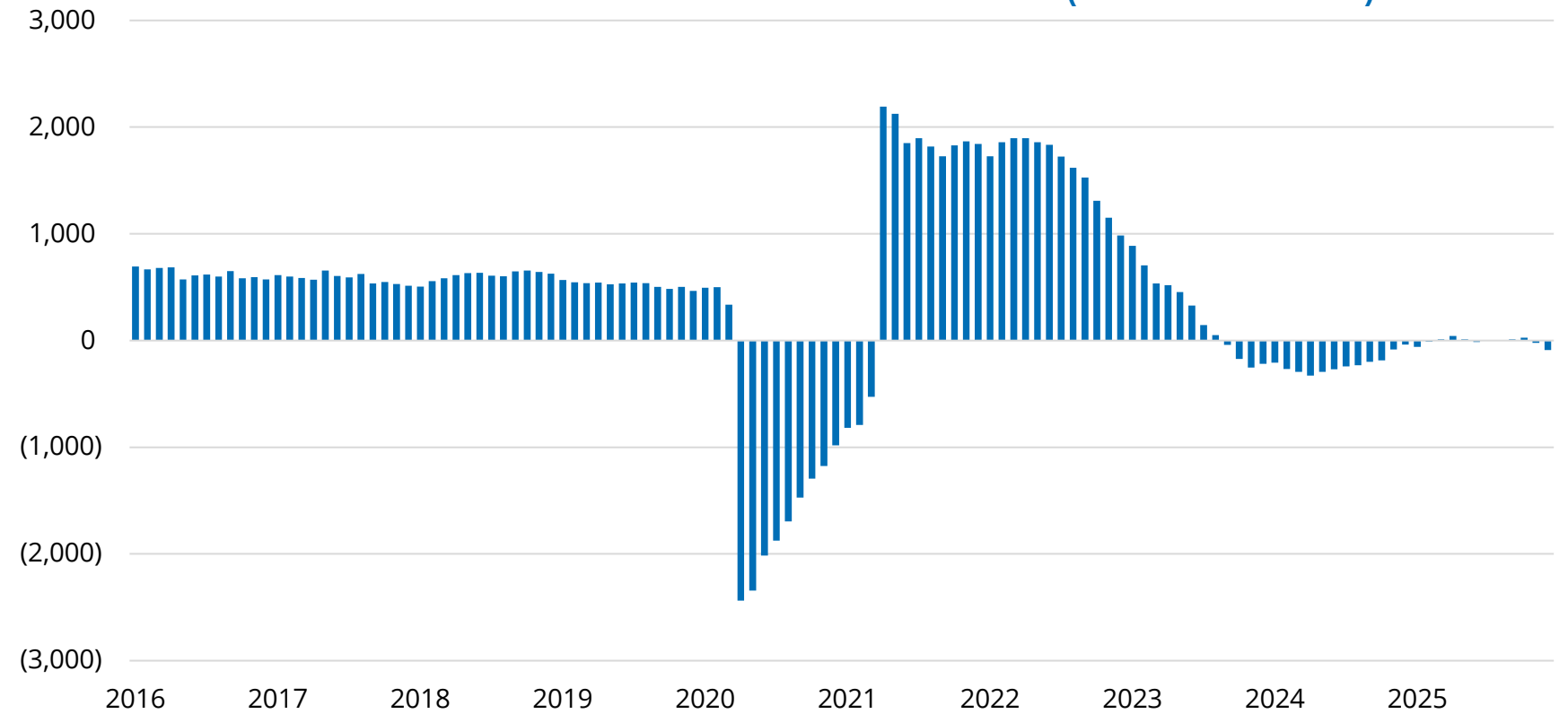


ECONOMIC HIGHLIGHTS

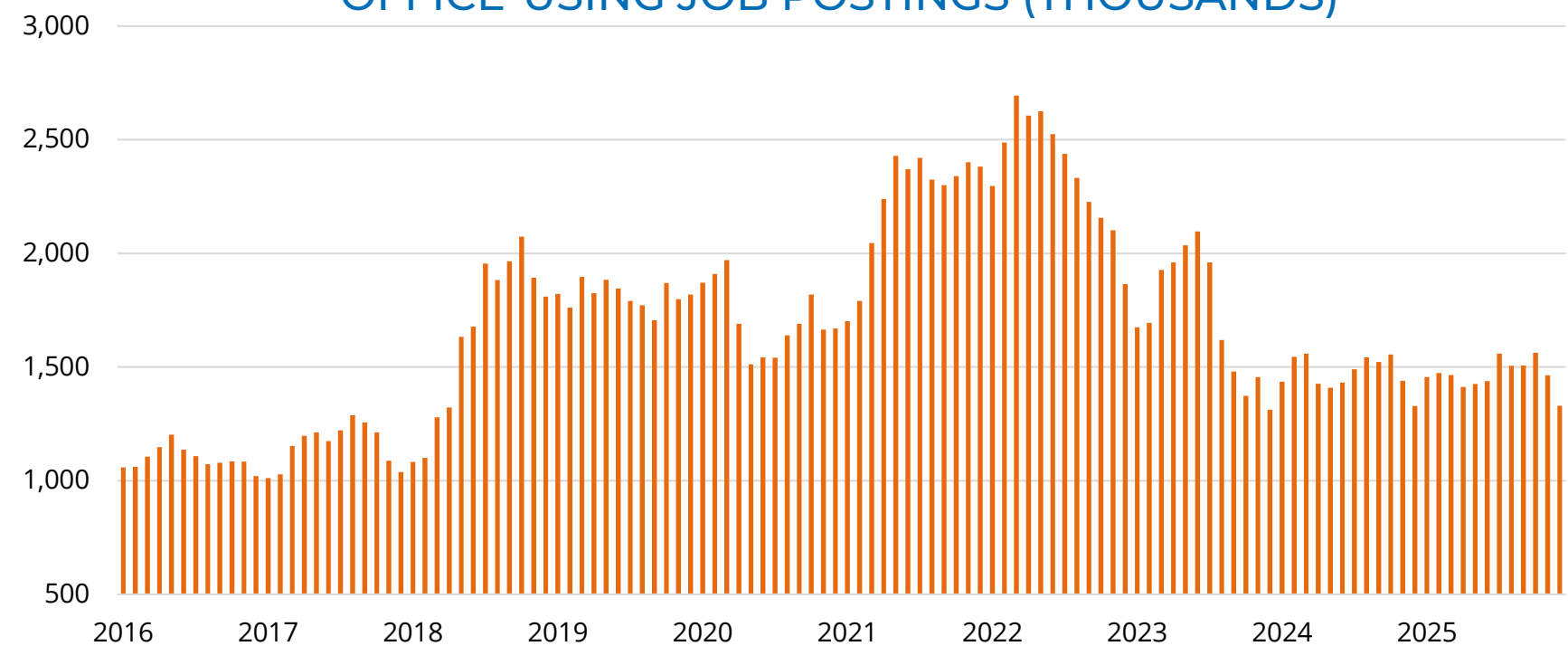
- The Federal Reserve followed up its quarter-point rate cut in September with two additional 25-bps cuts during Q4 to close the year with a target range of 3.50% - 3.75%.
- The delayed Q3 GDP report stated that the U.S. economy grew at an annual rate of 4.4%, the strongest expansion in two years. Projections for Q4 are also expected to grow 4.0% with some forecasting growth above 5.0%.
- The U.S. labor market experienced its weakest growth since the pandemic in 2025 with the unemployment rate closing at 4.4%, a 30-bps increase YoY.
- While market players have adjusted to potential tariffs, uncertainty remains as the Supreme Court has yet to render a final ruling on their legality.
- Office-using employment retracted, declining by 89,000 jobs YoY, with most of the cuts occurring in the last quarter of 2025.
- Employment services (temp help) cut the most positions, followed by tech. Intel led tech layoffs in 2025, with an estimated 33,900 job cuts due to restructuring. Apple conducted a round of layoffs in November 2025 within its sales division.
- Select industries added new jobs over the year, including financial, law, and architecture/engineering firms.
- Office-using job postings (companies looking to hire) are up 3% YoY but down 16% from the pre-COVID average. Over the past three months, banking institutions and engineering firms posted the most open positions.
- The U.S. economy continues to shape the office market through its influence on employment growth, corporate profitability, and decisions on business expansion or layoffs.
- While overall growth has moderated amid higher interest rates and cautious spending, select office-using industries continue to expand headcount, therefore supporting baseline office demand in major markets.

HISTORICAL

YOY CHANGE IN OFFICE-USING JOBS (THOUSANDS)



OFFICE-USING JOB POSTINGS (THOUSANDS)

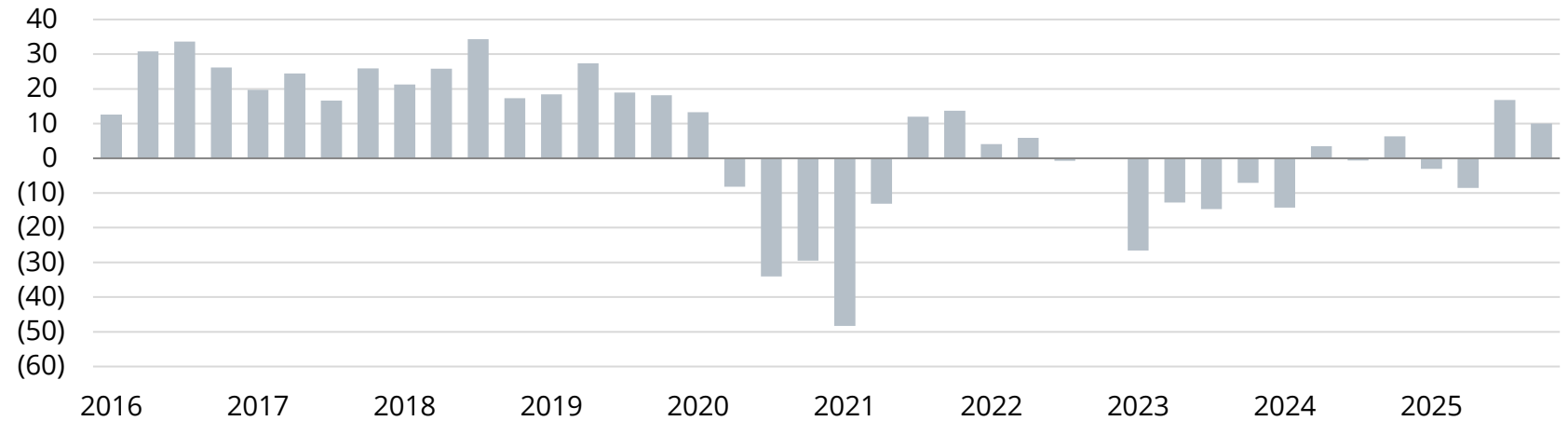


MARKET HIGHLIGHTS

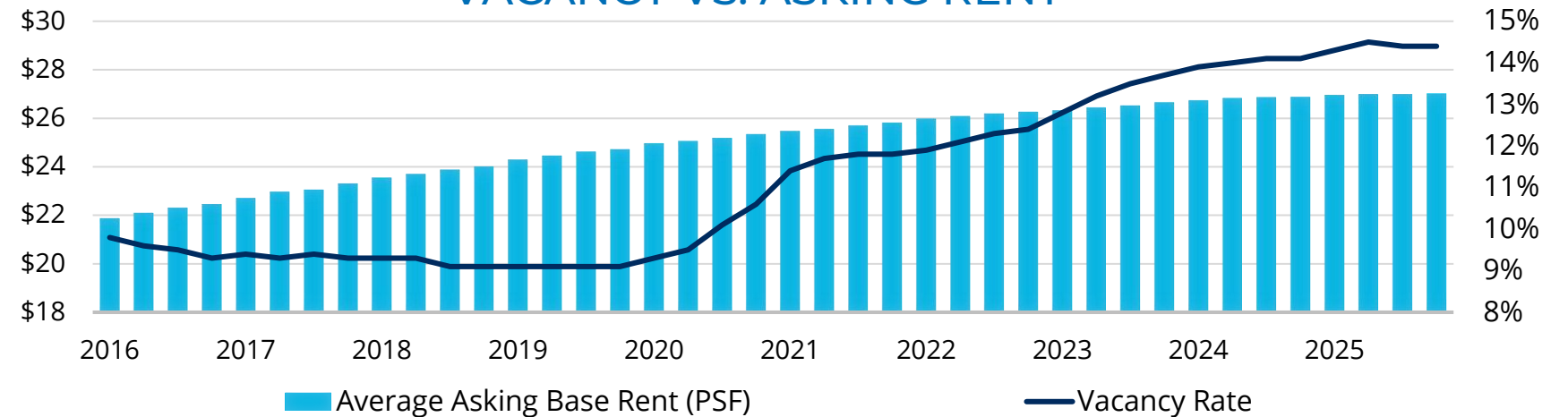
- The office market showed resilience during Q4 2025, with another round of positive net absorption, driven by large pre-leased deliveries and healthy leasing activity.
- Net absorption recorded positive 10.0 MSF during Q4, including direct and sublet space. This brings the second half 2025 total to 26.9 MSF.
- Cleveland recorded the highest positive net absorption for the quarter due to the delivery and occupancy of the 1.0 MSF Sherwin-Williams Headquarters in the CBD.
- 28 of 51 tracked markets registered positive net absorption, down slightly from 34 the quarter prior.
- The overall vacancy rate was unchanged at 14.4% during the quarter and is up 30 basis points year over year. However, the rate is down 10 basis points from mid-year 2025, as the market is showing signs of stabilizing.
- Construction levels are down 26% YoY. Construction costs, tight labor, and policy uncertainty will likely keep the construction pipeline tight over the next year.
- Demolitions / conversion continue, which will help balance supply / demand fundamentals, but is not a silver bullet to right-size the office market. With limited-quality office space, select tenants will help backfill well-positioned and located older product in time.
- Asking rents decelerated to a 0.5% rise YoY. Concession packages remain elevated but are moderating, as select landlords are under financial pressure.
- The second half of 2025 showed notable improvement, giving renewed hope for the office market.
- However, slower hiring and ongoing workplace strategy shifts will likely constrain robust leasing activity in the short run.
- Over the medium term, easing inflation and potential rate cuts could improve tenant confidence and gradually support tenant expansion plans.

HISTORICAL

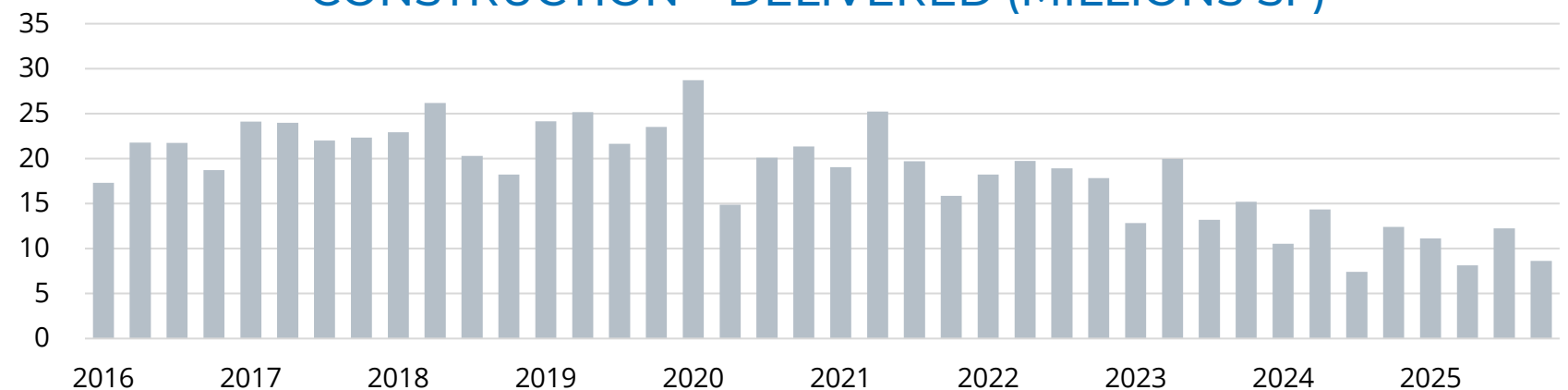
NET ABSORPTION (MILLIONS SF)



VACANCY VS. ASKING RENT

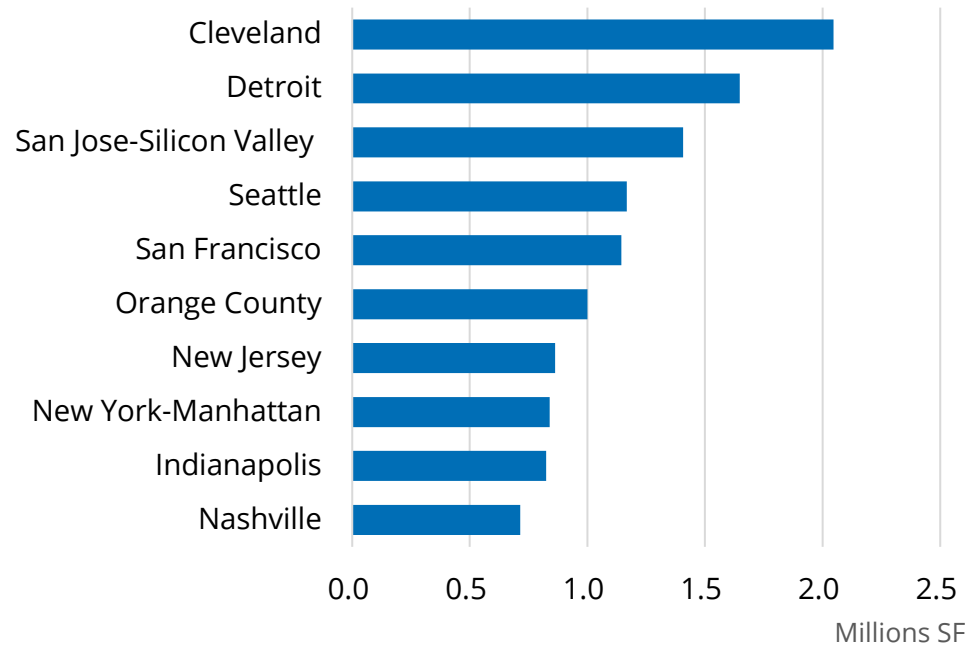


CONSTRUCTION – DELIVERED (MILLIONS SF)



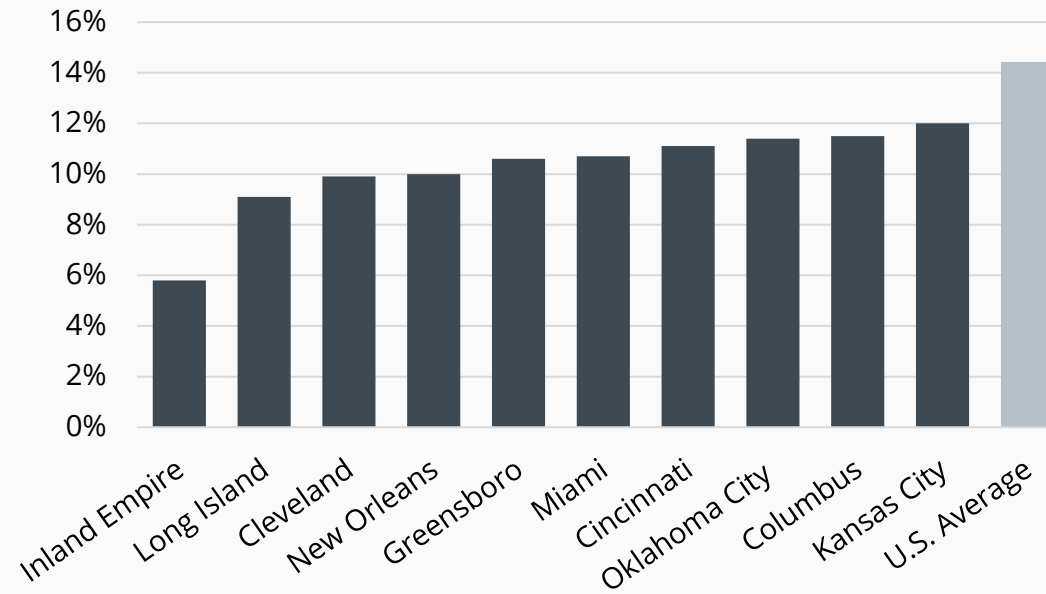
NET ABSORPTION

Q4 2025 Net Absorption



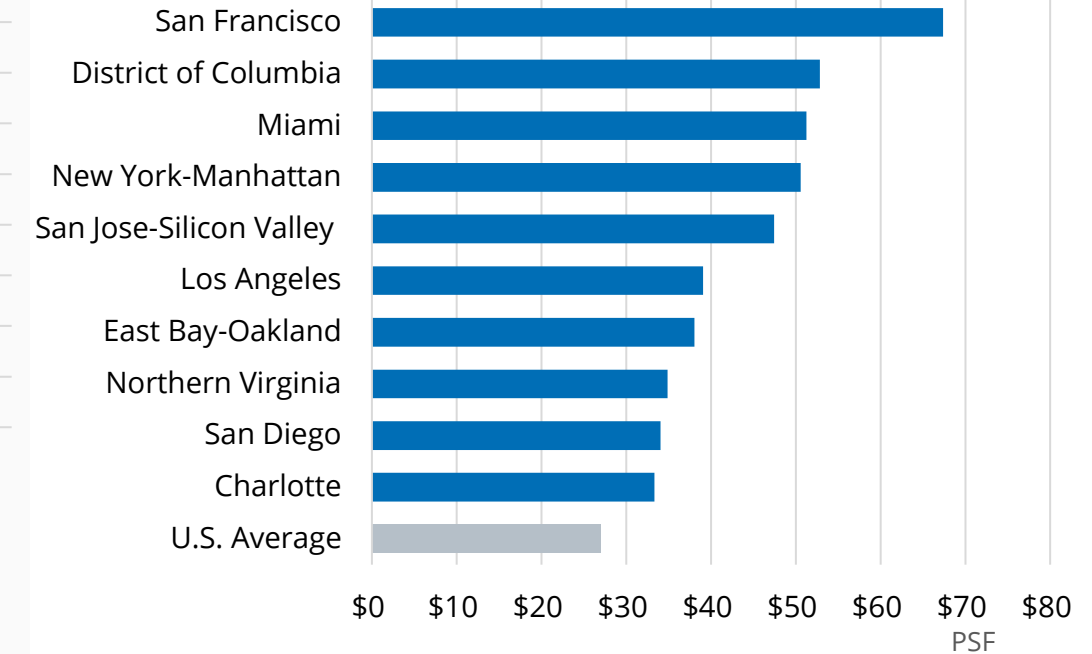
VACANCY/CONSTRUCTION

Q4 2025 Overall Vacancy Rate

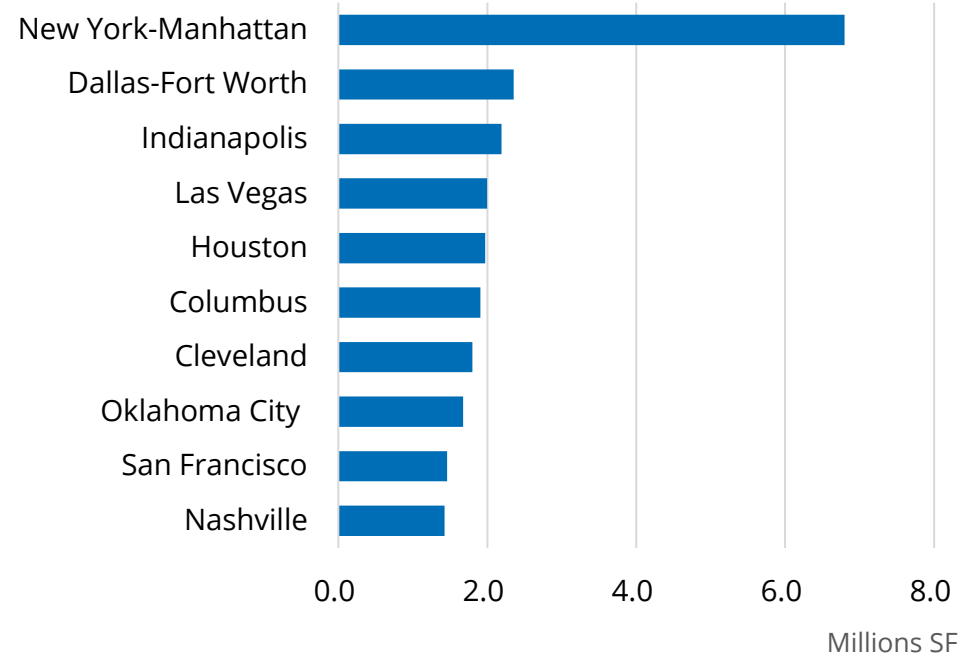


ASKING RENTS

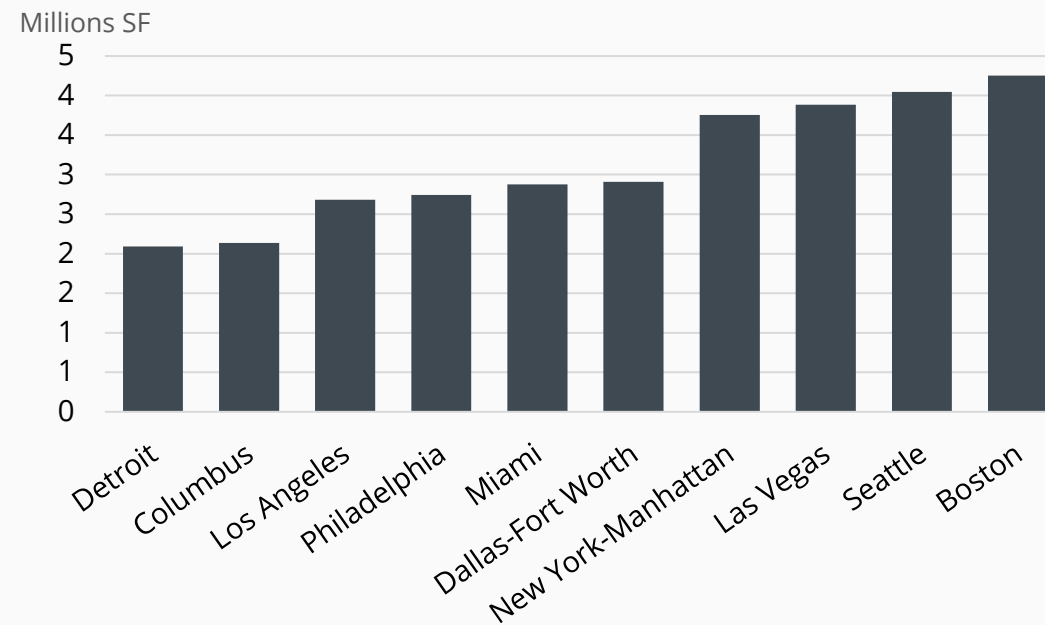
Q4 2025 Asking Rate (Base)



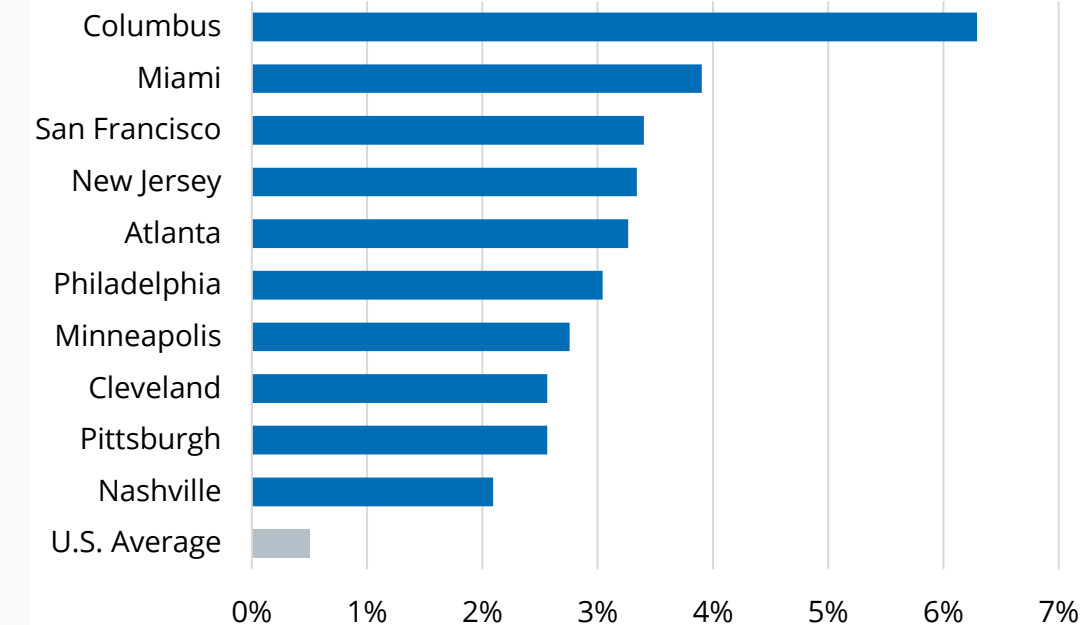
Trailing 4-Qtr Net Absorption



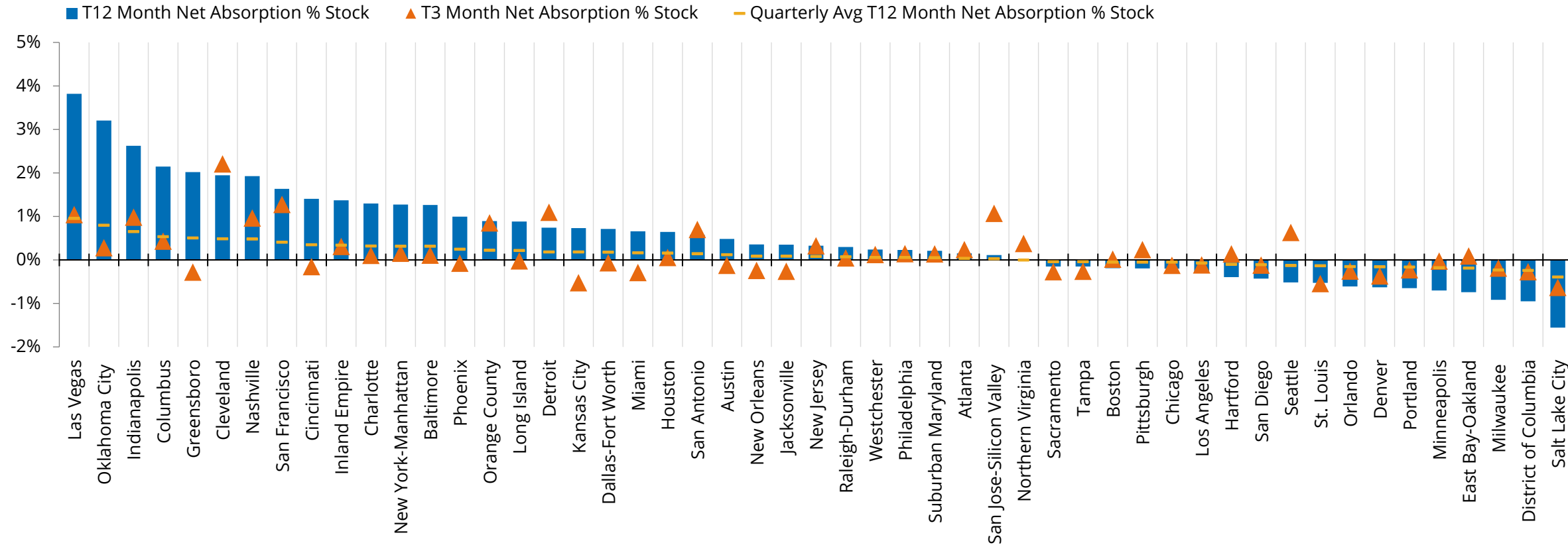
Q4 2025 Under Construction



Year-Over-Year Rent Growth

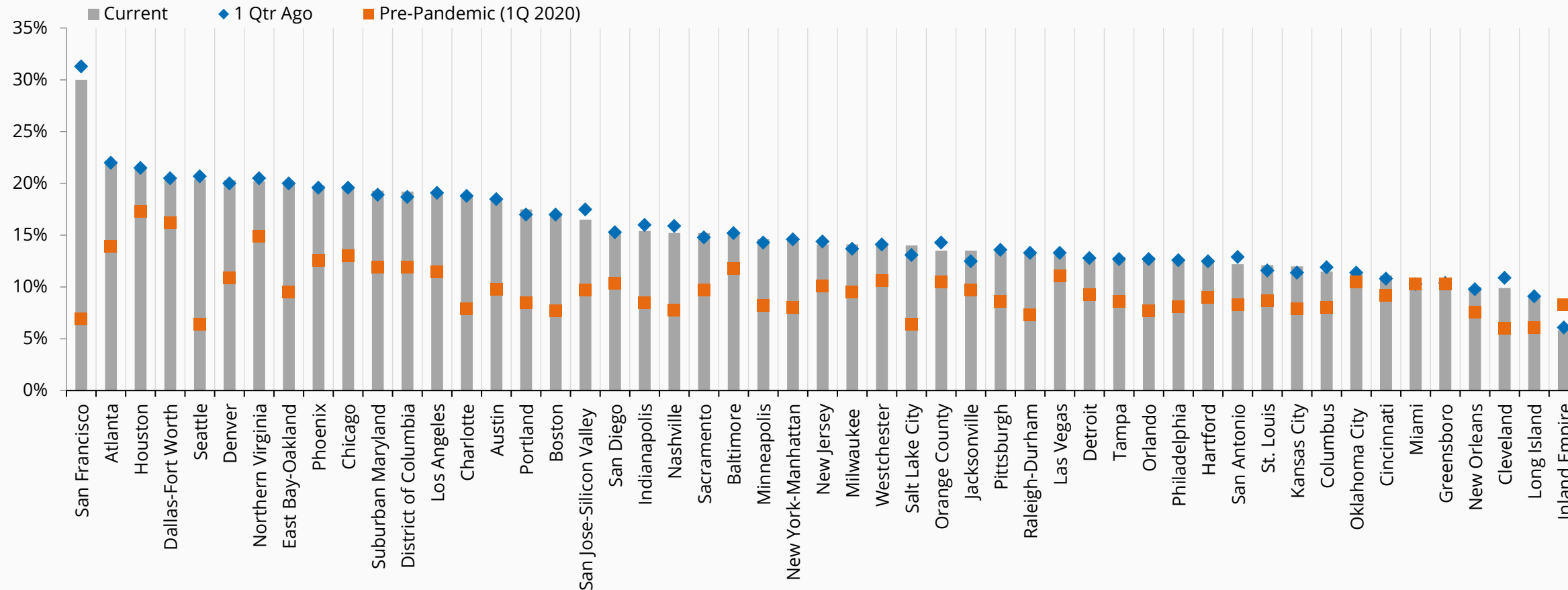


NET ABSORPTION % STOCK



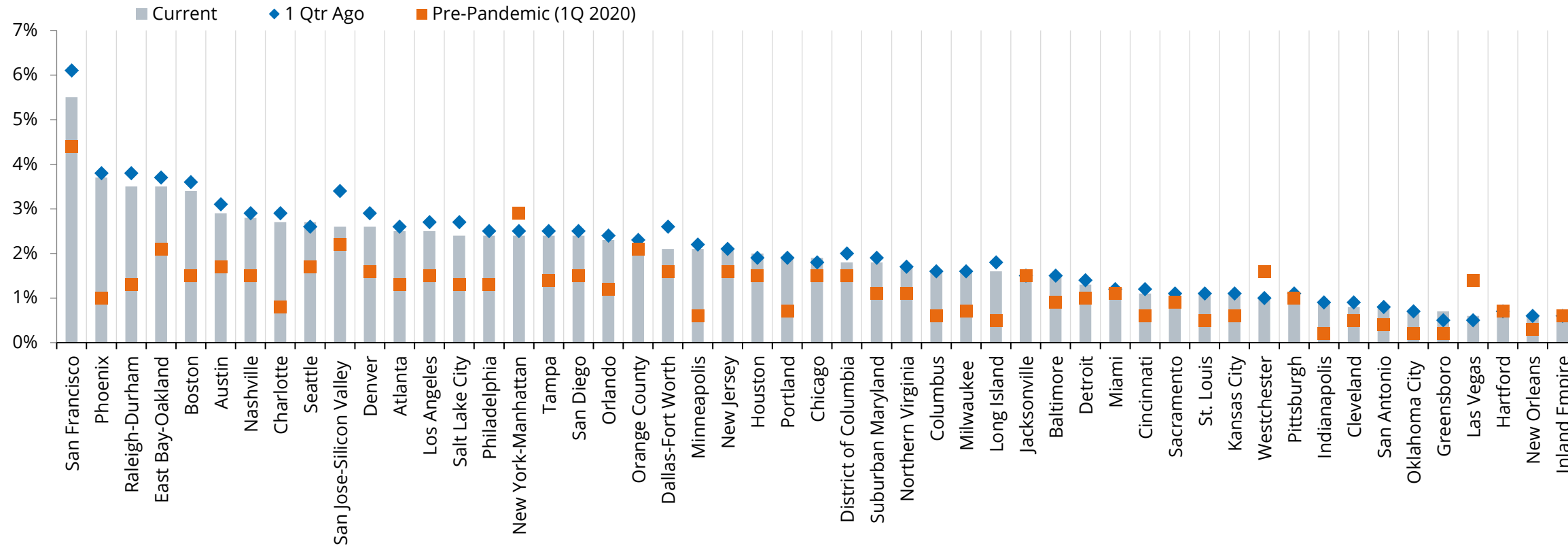
- 55% of tracked markets managed positive net absorption for the quarter and 65% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw strong positive net absorption for the quarter include Las Vegas, Indianapolis, and Cleveland.
- 43% of markets' quarterly net absorption improved during Q4 compared to their trailing 12-month quarterly average net absorption. Standouts include Cleveland, Detroit, and San Francisco.

VACANCY RATE



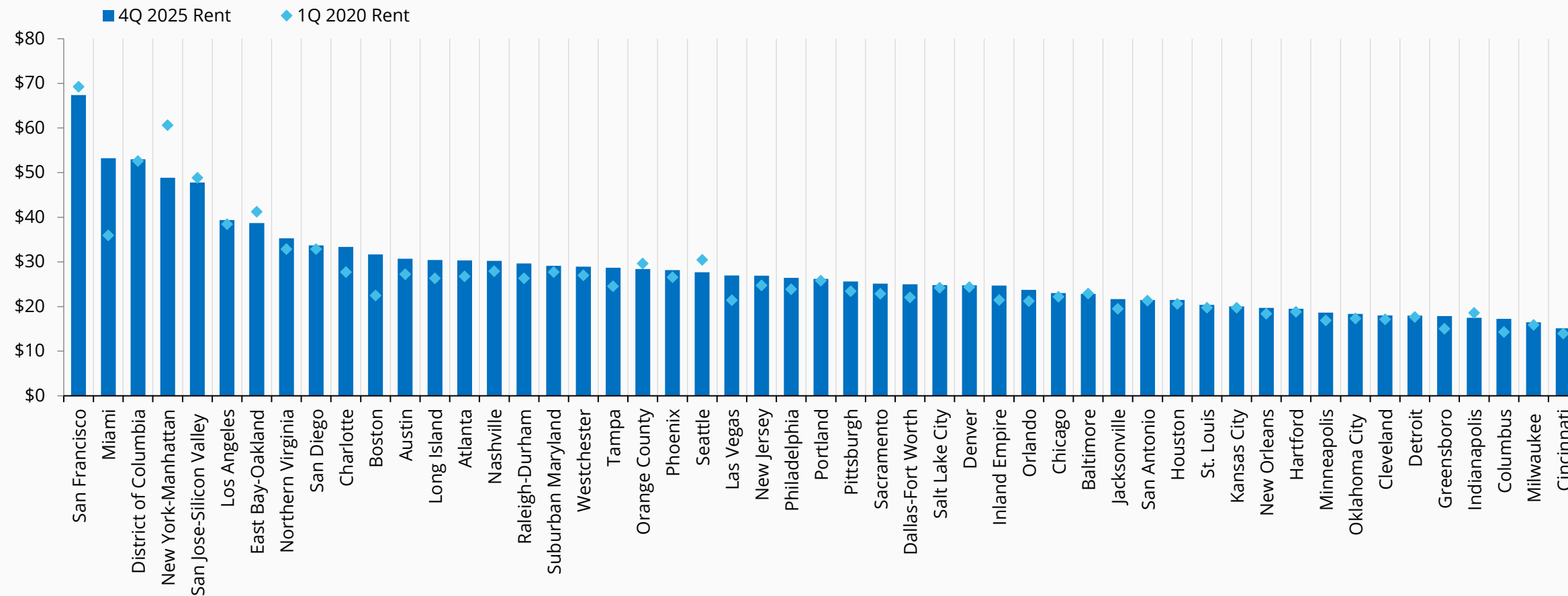
- 51% of markets stayed constant or improved from the previous quarter. The markets that experienced the largest decline in vacancy rate include San Francisco, Cleveland, and Orange County.
- Markets that retracted this quarter include Kansas City, District of Columbia, and Milwaukee.
- Markets that experienced the greatest recovery compared to pre-pandemic include the Inland Empire, with Greensboro and Miami relatively flat.

SUBLET AVAILABILITY RATE



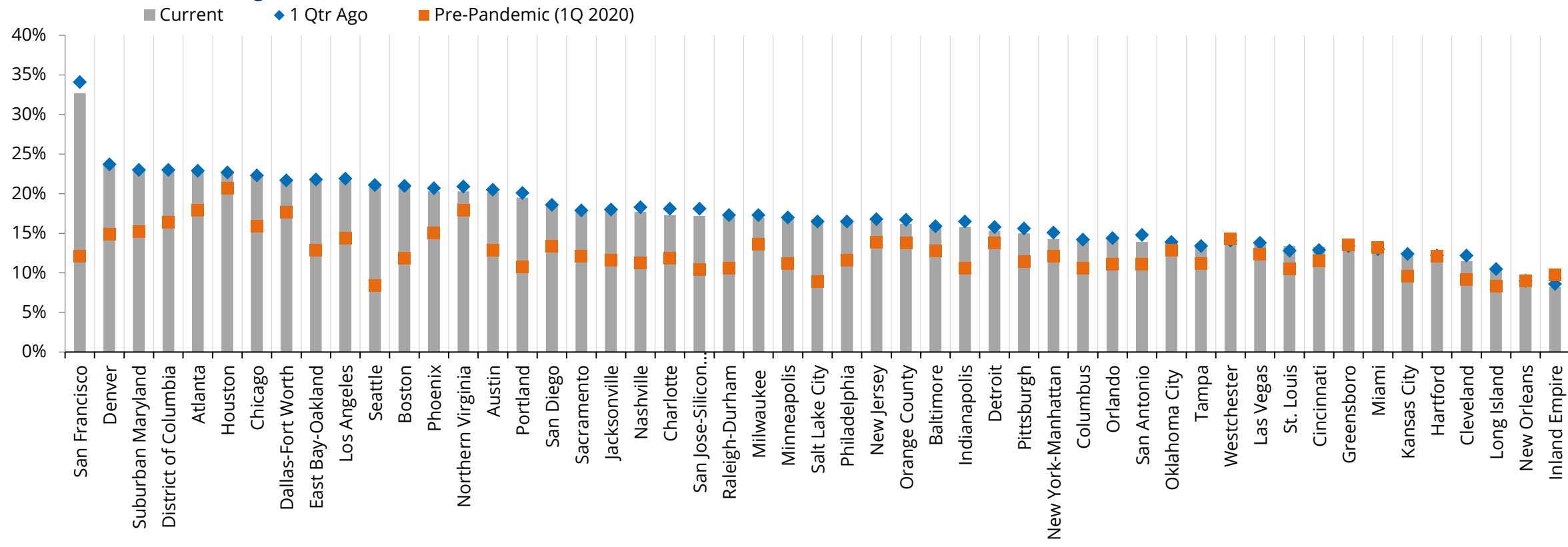
- This graph shows available sublet space as a percent of stock, which can react quickly to changes in demand.
- Sublease availability is starting to tighten, as space is getting leased up or pulled from the market.
- In Q4, 90% of markets stayed constant or improved from the previous quarter, indicating improving conditions.
- The most notable improvements occurred in San Jose-Silicon Valley, San Francisco, and Dallas-Fort Worth.

RENTAL RATES PER SF (BASE)



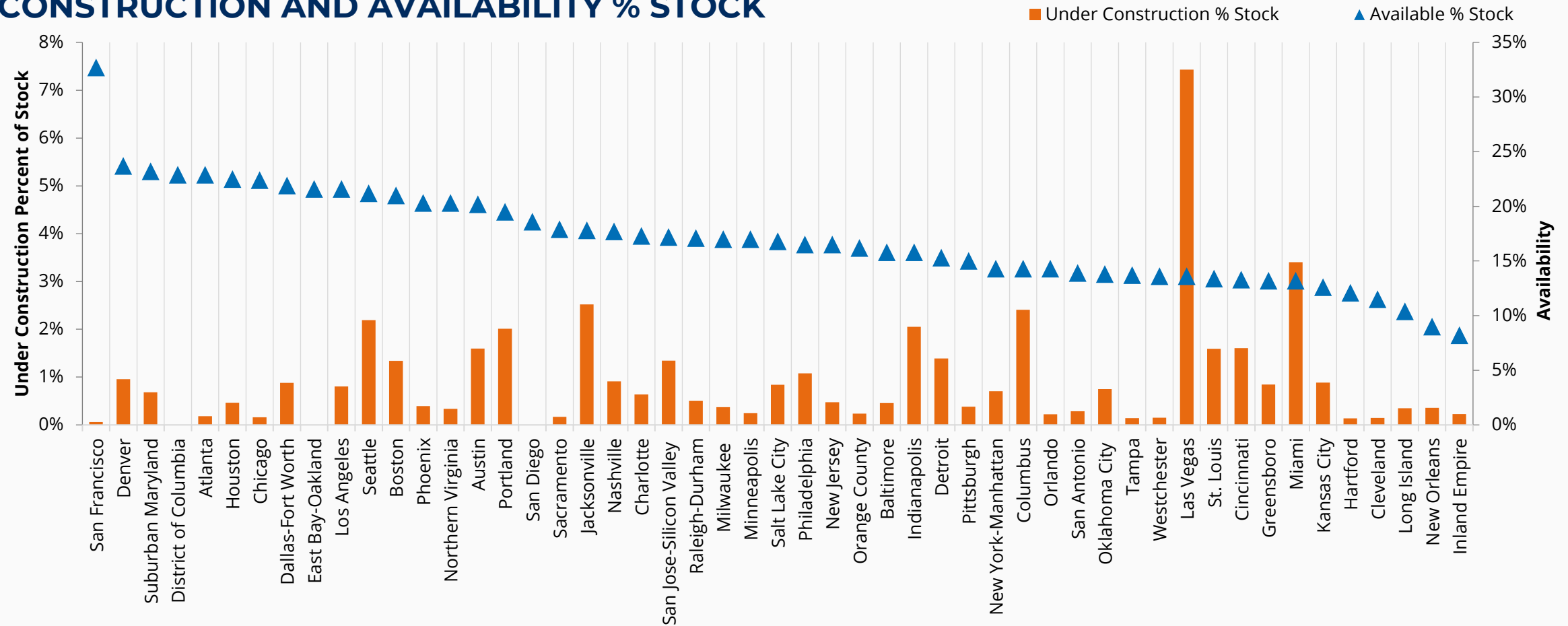
- The largest, densest, and most developed markets have historically commanded significantly higher rental rates, yet shifts in the office market have diminished these markets' lead.
- Miami and Boston have outperformed, with a sharp rise in rents, by 48% and 41%, respectively, compared to the pre-pandemic rate.
- Concessions remain high but moderating, particularly for quality space or for landlords under financial pressure.

AVAILABLE SQUARE FEET % STOCK



- In this graph, the softening of demand is illustrated by heightened availability rates shown in all tracked markets. The availability rate can be a predictor of future market conditions.
- Markets with the largest reduction in availability over the past quarter include San Francisco, San Antonio, Charlotte, and San Jose – Silicon Valley.
- 78% of markets stayed constant or saw improvement from the previous quarter.

CONSTRUCTION AND AVAILABILITY % STOCK



- The percentage of stock under construction is indicative of future market expansion. When combined with the percentage of stock available, it can indicate whether a market is likely to tighten or soften.
- Markets with particularly high under-construction and high availability as a percent of stock include Seattle, Jacksonville, Indianapolis, Columbus, and Las Vegas.
- Future vacancy will depend on how demand matches supply and at what rate this demand absorbs unleased space.

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Atlanta	233,560,998	21.9%	20.8%	557,982	346,540	\$30.35	3.3%	424,195
Austin	114,060,648	18.6%	16.9%	(139,139)	549,824	\$30.73	1.2%	1,823,623
Baltimore	103,056,591	15.1%	14.5%	114,472	588,740	\$22.84	1.4%	469,570
Boston	317,377,881	17.0%	14.8%	55,171	(603,920)	\$31.68	-12.4%	4,252,310
Charlotte	98,761,404	18.7%	16.2%	107,815	1,278,793	\$33.36	0.1%	628,140
Chicago	394,868,223	19.7%	18.9%	(478,366)	(786,324)	\$23.03	0.3%	627,356
Cincinnati	81,921,839	11.1%	10.5%	(123,410)	1,151,212	\$15.14	2.0%	1,313,750
Cleveland	92,607,609	9.9%	9.5%	2,046,431	1,800,243	\$18.00	2.6%	134,492
Columbus	88,833,713	11.5%	10.2%	383,599	1,906,861	\$17.23	6.3%	2,137,701
Dallas-Fort Worth	329,938,379	20.6%	19.4%	(205,121)	2,353,981	\$25.00	1.8%	2,907,868
Denver	160,878,973	20.3%	18.7%	(588,305)	(1,015,550)	\$24.76	0.5%	1,539,743
Detroit	150,520,621	12.9%	12.0%	1,648,300	1,114,995	\$17.95	-2.0%	2,090,812
District of Columbia	149,842,213	19.2%	18.3%	(403,928)	(1,423,505)	\$53.00	0.3%	0
East Bay-Oakland	90,273,672	19.9%	17.5%	82,210	(669,775)	\$38.71	1.8%	0
Greensboro	23,092,252	10.6%	10.0%	(64,533)	465,991	\$17.87	-2.1%	195,000
Hartford	49,488,815	12.4%	12.0%	70,765	(196,032)	\$19.52	0.4%	68,480
Houston	307,002,367	21.5%	20.6%	178,861	1,973,666	\$21.47	0.8%	1,419,017
Indianapolis	83,627,142	15.4%	14.6%	825,080	2,192,826	\$17.48	-3.6%	1,715,027
Inland Empire	35,427,803	5.8%	5.6%	110,859	486,067	\$24.72	0.0%	80,176
Jacksonville	46,751,978	13.5%	12.3%	(121,060)	163,637	\$21.66	0.7%	1,177,391
Kansas City	103,982,975	12.0%	11.0%	(543,061)	761,452	\$20.04	-2.9%	919,948
Las Vegas	52,286,982	13.1%	12.6%	544,922	1,995,995	\$26.98	-1.7%	3,885,456
Long Island	62,462,927	9.1%	8.0%	(11,345)	551,467	\$30.42	1.1%	216,597
Los Angeles	332,889,675	19.2%	17.5%	(369,667)	(928,700)	\$39.35	0.8%	2,681,646
Miami	84,452,371	10.7%	9.8%	(241,652)	557,542	\$53.24	3.9%	2,874,977

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	64,691,483	14.1%	13.9%	(121,052)	(592,164)	\$16.45	1.8%	239,450
Minneapolis	154,114,380	14.6%	13.3%	(36,268)	(1,083,491)	\$18.64	2.8%	379,506
Nashville	74,061,579	15.2%	13.1%	714,886	1,427,705	\$30.23	2.1%	674,195
New Jersey	264,737,696	14.1%	12.7%	863,052	865,359	\$26.92	3.3%	1,254,812
New Orleans	34,729,718	10.0%	9.4%	(82,355)	122,752	\$19.67	0.3%	123,941
New York-Manhattan	533,656,839	14.5%	12.8%	839,980	6,796,442	\$48.86	-3.4%	3,753,011
Northern Virginia	183,957,706	20.2%	19.4%	696,059	14,479	\$35.27	-1.7%	614,648
Oklahoma City	52,226,502	11.4%	11.2%	146,773	1,674,550	\$18.33	-2.0%	391,782
Orange County	117,306,487	13.5%	12.1%	999,605	1,045,750	\$28.38	-1.4%	277,079
Orlando	69,147,823	12.9%	11.4%	(176,443)	(420,435)	\$23.72	1.8%	153,002
Philadelphia	254,221,423	12.7%	11.4%	367,409	584,450	\$26.42	3.0%	2,741,685
Phoenix	134,424,564	19.8%	16.8%	(100,028)	1,335,589	\$28.17	0.9%	527,530
Pittsburgh	113,042,619	13.4%	12.7%	271,776	(223,315)	\$25.61	2.6%	429,460
Portland	95,927,719	17.5%	16.5%	(215,085)	(621,493)	\$26.17	-2.4%	1,929,843
Raleigh-Durham	85,449,487	13.3%	11.5%	39,762	252,810	\$29.63	0.1%	429,630
Sacramento	75,396,272	15.2%	14.8%	(202,231)	(113,793)	\$25.12	1.2%	128,250
Salt Lake City	68,181,018	14.0%	11.9%	(430,546)	(1,061,290)	\$24.78	-2.5%	572,054
San Antonio	59,973,912	12.2%	11.5%	420,841	346,182	\$21.48	0.7%	171,236
San Diego	87,989,364	15.4%	14.6%	(103,001)	(376,747)	\$33.69	-1.1%	0
San Francisco	89,468,882	30.0%	26.1%	1,144,898	1,461,228	\$67.39	3.4%	52,481
San Jose-Silicon Valley	131,098,582	16.5%	14.5%	1,406,479	146,421	\$47.79	0.7%	1,763,657
Seattle	184,730,009	20.4%	18.8%	1,167,722	(958,249)	\$27.70	-7.5%	4,047,527
St. Louis	115,631,910	12.1%	11.7%	(628,824)	(611,858)	\$20.38	-2.7%	1,838,602
Suburban Maryland	88,078,104	19.3%	18.4%	124,881	183,880	\$29.14	0.9%	599,870
Tampa	82,319,200	12.9%	11.5%	(211,595)	(126,600)	\$28.70	0.6%	116,834
Westchester	140,117,858	14.0%	13.4%	174,901	331,527	\$28.93	-0.4%	213,152



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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).